VZCZCXYZ0006
RR RUEHWEB

DE RUEHTG #0045/01 0141913
ZNR UUUUU ZZH
R 141913Z JAN 08
FM AMEMBASSY TEGUCIGALPA
TO RUEHC/SECSTATE WASHDC 7534
INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE
RUEHJA/AMEMBASSY JAKARTA 0012
RUEHKL/AMEMBASSY KUALA LUMPUR 0004
RUEHRC/DEPT OF AGRICULTURE USD WASHDC
RHEBAAA/DEPT OF ENERGY WASHDC
RUCPDOC/DEPT OF COMMERCE WASHDC

UNCLAS TEGUCIGALPA 000045

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WHA/EPSC FOR FAITH CORNEILLE, EEB/ESC FOR MATT MCMANUS,
EEB/CBA

E.O. 12958: N/A
TAGS: ENRG ECON EIND EINV SENV HO
SUBJECT: BIODIESEL, ENERGY & CARBON CREDITS FROM HONDURAN
AFRICAN PALM TREES

¶1. Summary: Most of the building blocks are now in place for Honduras to begin substantial production of biodiesel from African Palm trees. In 2005 a Honduran company succeeded in producing biodiesel to fuel 240 company vehicles and six Tegucigalpa public busses. Another company was the first African Palm biogas project in the world to be certified for carbon credits. Cultivation of African Palm along the Honduran North Coast has more than doubled since the 1990's to more than 90,000 hectares. The Congress last month passed a law that grants favorable tax treatment to biofuels; implementing regulations are expected by March. However, with the price of palm oil for human consumption currently above that of biodiesel, future production is uncertain. End summary.

Production of Biodiesel from African Palm

¶2. Dinant Corp's 2005 experiment with using biodiesel (B100) to fuel company vehicles and six city busses was successful. No modifications were required for relatively newer company vehicles; however they did need to change the filters after introducing biodiesel because of its cleaning effect. The city busses required an initial maintenance process because of their age. Nonetheless, Dinant's Omar Riera noted to EconOff that a very old bus, literally taken from a junkyard, soon sported an engine that was shining on the inside. Based on lessons learned from the initial biodiesel project, Dinant has almost finished constructing a new facility that will be capable of producing 36,000 gallons of biodiesel (B100) per day. This plant will be kept in a state of readiness until such time as Dinant determines it is more profitable to produce biodiesel than palm oil for human consumption.

Current Uses of African Palm

¶3. African Palm is or can be used to produce both biodiesel and renewable energy, as well as palm oil for human consumption and various byproducts. Though not every company does so, it is possible to use every part of the African Palm product. Palm oil can be used for human consumption as an input to margarine, potato chips, banana chips and various other snacks. Oil from the palm nut is used in perfumes. Leftover fiber from the nut is sold as animal feed; leftover fiber from the palm fruit is sold as fertilizer or burned to produce energy. Even the tree itself is cut down after its

25-30 year productive life and allowed to decompose in place, providing nutrients for the next generation of trees.

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A Source for Multiple Forms of Renewable Energy
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¶4. The traditional way to produce energy from African Palm is to burn the leftover fiber (dry waste) from the fruit to create steam. This steam can either power the processing plant directly, be passed through a turbine to create electricity, or both. Any excess electricity can be sold to the grid. More recently the medium sized palm coop Eecopalsa has begun using African palm to produce biogas. As the palm oil extraction equipment is washed each day, effluent is diverted to a large holding pond covered with a tent. The holding pond has bacteria that cause the organic matter in the water to decompose, creating methane. The methane is trapped by the tent and burned to create 2.2 megawatts of electricity, which is sold to the grid.

¶5. During a tour of the plant, Eecopalsa Director Raul Zelaya explained to EconOff that the biogas project became profitable only after qualifying for carbon credits (certified emissions reductions under the Kyoto Protocol), which are currently being purchased by a European firm. Eecopalsa has the distinction of being the first African Palm biogas project in the world to be certified for carbon credits. Dinant is hot on Eecopalsa's heels; construction of effluent containment ponds was underway during EconOff's tour of Dinant's plant.

What the Future Holds

¶6. Palm cultivation in Honduras has more than doubled from 40,000 hectares in the 1990s to more than 90,000 hectares today. This growth is due to record prices for palm oil as well as private financing and technical assistance for landowners, typically ranchers, who enter the African Palm industry. The biggest change, however, may be yet to come. In 2005 the GOH struck a deal with Malaysia to import 1 million Malaysian Palm seeds. This makes Honduras the only country outside Malaysia and Indonesia to receive Malaysian Palm seeds. The seeds arrived in 2006 and will eventually account for 28,000 hectares; 7,000 hectares have already been planted. At least initially, the GOH has decided to give the seeds only to small farmers, which means the 600 members of Eecopalsa qualify but Dinant does not. Mayalsian Palm reportedly has many advantages over African Palm. The trees mature in 2-3 years as opposed to 4-5. They are shorter, which means the fruit is easier to harvest. Most important, the ratio of fruit to nut is greater, which means a greater yield of palm oil and/or biodiesel per hectare.

Comment

¶6. A recent study by Dinant suggests Honduras has 540,000 hectares suitable for palm cultivation. If the land were used to produce biodiesel instead of palm oil, 300,000 hectares could satisfy all of Honduras's current demand for diesel fuel (B100). Only 60,000 hectares would be required for a mix of 20 percent biodiesel and 80 percent petrodiesel (B20). Whether this happens will depend mostly on the relative prices of palm oil and diesel, and partly on GOH policies, including biofuels regulations and fuel subsidies that artificially lower the price of diesel fuel at the pump. The potential for exporting palm-based biodiesel to the United States is limited because of its poor comportment in cold temperatures. Furthermore, Moises Starkman, an advisor to President Zelaya and longtime biofuels supporter, explained to EconOff that the whole purpose of the new biofuels law is to encourage domestic production and consumption, with any exports to the US market coming only

after the industries had established themselves in Honduras. Lastly, the expansion of palm cultivation may come at a cost. As ranchers convert pasture land to palm, there is a concern that ranchers and farmers will have an incentive to create new pasture lands out of forests and other protected spaces. End comment.
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